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66th
annual report
1968

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THE
SOVEREIGN  **LIFE**
ASSURANCE COMPANY OF CANADA

board of directors

Ralph M. Barford, Toronto, Ont.

President, General Steel Wares Ltd.

Roger H. Charbonneau, C.A., M.B.A., Montreal, Que.

Dean, Ecole des Hautes Etudes Commerciales de Montreal

Frederick G. Gardiner, Q.C., LL.D., Toronto, Ont.

*Partner, Gardiner, Roberts, Anderson, Conlin,
Fitzpatrick, O'Donohue and White*

Joseph S. Land, Montreal, Que.

President

William R. Livingston, C.L.U., Toronto, Ont.

Vice President and Managing Director

H. Melville Meiklejohn, Winnipeg, Man.

Robert E. Moore, Winnipeg, Man.

Partner, Moody, Moore and Partners

Lyndon E. Nicol, Montreal, Que.

President, Industrial Acceptance Corporation Limited

John B. Pennefather, M.B.E., Montreal, Que.

Chairman, Industrial Acceptance Corporation Limited

Joseph H. Ranahan, Montreal, Que.

Director, Industrial Acceptance Corporation Limited

Arthur J. Vincent, Winnipeg, Man.

President, Smith, Vincent & Co. Limited

Grant E. Wemp, Montreal, Que.

Honorary Chairman, Industrial Acceptance Corporation Limited

executive officers

J. S. Land

President

W. R. Livingston, C.L.U.

*Vice President
& Managing Director*

R. J. McBey, R.I.A.

Secretary

J. H. Sutherland, C.L.U.

Director of Agencies

A. L. Thomson, F.C.I.A., A.S.A.

Actuary

a brief progress report

	1968	1967
BUSINESS IN FORCE	\$680,316,998	\$610,323,634
Ordinary	293,557,862	275,545,036
Group	386,759,136	334,778,598
 NEW BUSINESS		
Ordinary	44,011,198	36,922,607
 TOTAL POLICYHOLDER BENEFITS	7,798,497	7,231,594
Dividends	720,191	707,329
Other Benefits	7,078,306	6,524,265
 PREMIUM INCOME	7,600,285	6,586,062
 INVESTMENT INCOME	3,461,936	3,331,193
 TOTAL ASSETS	60,429,744	57,880,836
 NET INVESTMENT YIELD	6.05%	6.07%
 INVESTMENT & CONTINGENCY RESERVES	1,400,000	1,000,000
 CAPITAL AND SURPLUS	6,626,392	6,308,045

Si vous désirez recevoir un exemplaire en français de ce Rapport annuel, veuillez vous adresser à notre succursale la plus proche.

report of directors

for the year 1968

Your Directors submit herewith their 66th Annual Report including the audited Financial Statements for the year 1968, with comparative figures for 1967.

New Business and Insurance In-force

New ordinary insurance and annuities issued in 1968 totalled \$44.0 million, an increase of 16.4% over 1967. The annual premium income value of this new business is \$647,000, and compared to \$575,000 in 1967.

This encouraging trend developed from intensive work over past years in recruiting and training sales personnel as well as new insurance programs commenced during the year. As a result of this growing new business momentum and, of a reduction in lapses of existing policies, the total of business in-force at the year end reached \$680.3 million, an increase of 11.5%. Both the increase in business in-force for the year, and the total of insurance in-force at year end, represented new records for the Company.

Of the total business in-force, group life insurance accounted for \$386.8 million at the end of 1968 which compared with \$334.8 million at the previous year end.

Revenue

Revenue, consisting of earned insurance premiums and investment earnings such as interest, dividends and rents, increased during 1968 to \$11,062,281 from \$9,917,254 in 1967, representing another all time record. This increase resulted from the growth of business in-force and in investment earnings, the latter reflecting the higher average interest rates obtained on the larger portfolio carried during the year. While net profit resulting from disposal of securities, at \$112,189, was lower than the comparable profit realized in 1967, the reduction reflects market conditions and a lower volume of trading in the portfolio.

Policyholder Dividends and Other Payments

A portion of the Company's business in-force is participating and, accordingly, eligible to receive policyholder dividends. Such dividends amounted to \$720,191, resulting in a further reduction in the net cost of insurance to these policyholders.

During 1968, mortality experience applicable to your Company's policies in force improved so death claims showed a significant reduction.

An important part of the increase in actuarial reserves for insurance and annuity contracts for the benefit of policyholders resulted from the new insurance programs previously mentioned.

In 1968, payments to policyholders and beneficiaries, including dividends as above and the amount set aside to increase actuarial reserves, totalled \$7,798,497 (1967 - \$7,231,594).

Expenses

Operating expenses were \$2,657,566 (1967 - \$2,468,832). The increase during the year arose in part from the significant increase in new business, and, in addition, the generally higher cost of doing business.

However these expenses were carefully controlled as evidenced by the fact that they increased 7.6% compared to a growth of 15.4% in earned premium.

Assets and Investment Yield

Total assets increased during the year by over \$2.5 million. Mortgages continued to represent approximately 50% of total assets, and this portfolio performed satisfactorily and delinquencies were at an all time

low. Holdings of common stock increased during the year to 4.3% compared to 3.4% in 1967. This change was in conformity with current investment policy aimed at a gradual increase in such investments.

Net yield on all investments, after related expenses, decreased slightly to 6.05% from 6.07% in 1967 which was the highest rate recorded by the Company for some years. The decrease resulted mainly from higher policy loans and growth in common stock holdings with attendant lower yields, which, in the latter case, is acceptable as a hedge against current inflationary trends.

Total book value of all marketable securities, as stated in the Balance Sheet, was \$498,204 over values authorized by the Federal Department of Insurance. All securities consist of investments authorized by the Department of Insurance. To provide for fluctuations in security values, an Investment Reserve of \$1,000,000 is maintained but, because of the basic soundness of the portfolio, calls on this reserve are unlikely.

Policy Reserves and Other Liabilities

Policy reserves for insurance and annuity contracts, at year end, amounted to \$44,938,680 which, with future premiums and investment earnings, are actuarially calculated to provide for all payments guaranteed under the terms of Sovereign policies. Ample provision, amounting to \$3,805,642, was made for other liabilities, including amounts on deposit, claims awaiting settlement, unreported claims and group experience rating refunds.

Total Capital and Surplus Accounts

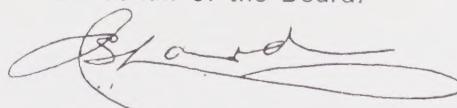
In view of the many unresolved questions concerning your Company's new tax liabilities resulting from the last Federal Budget, the amount of \$400,000 was appropriated to a Contingency Reserve to allow for maximum flexibility in the future.

As the final result of the year's operation an amount of \$318,347 was transferred to unassigned surplus which, as at December 31, 1968, totalled \$6,319,442. Accordingly the total of capital, surplus, and reserve accounts was \$8,026,392, equal to 13.3% of assets, which provided a substantial margin of protection for all policyholders.

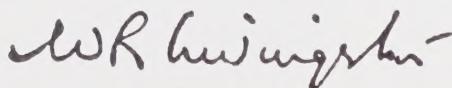
Your Board looks with confidence to continued business development in 1969. Many changes have taken place in the economic and financial environment during the past few years, and undoubtedly, more will occur in the future. Throughout, however, one fact remains unchanged: the unique ability of a life insurance contract to solve financial problems provides the only method of guaranteeing payments of fixed dollar amounts at some unpredictable future date, at a time of death, disability or retirement. In this constantly changing environment with its many exciting opportunities Sovereign is well positioned to respond creatively and with imagination to serve present and future policyholders.

As this report illustrates, 1968 was a year of solid progress for the Company made possible by the co-operative and dedicated teamwork of Sovereign personnel in Branch Offices across Canada and in Head Office. Your Directors record their appreciation and thanks to all members of the Sovereign family for their important contribution to the Company's success during the past year.

On behalf of the Board.



J. S. Land, President



W. R. Livingston, Vice President and
Managing Director

statement of revenue

for the year ended Dec. 31, 1968

REVENUE

Premiums
 Interest, dividends and rents,
 less related expenses —
 \$267,110 (1967 - \$256,776)
 Net profit on disposal of
 securities, less write-down —
 nil (1967 - \$52,370)

EXPENDITURE

Amounts paid to or set aside
 for policyholders and
 beneficiaries:
 Death and disability claims
 Matured endowments
 Annuity benefits
 Surrender values
 Increase in reserves for
 insurance and annuity
 contracts
 Increase (decrease) in pro-
 vision for experience rating
 refunds

Interest credited to funds
 on deposit

Operating expenses

Excess of revenue for the year
 Transfer to contingency
 reserve

ALLOCATED AS FOLLOWS

Dividends to policyholders
 Increase in unassigned
 surplus

	1968	1967
Premiums	\$ 7,600,285	\$ 6,586,061
Interest, dividends and rents, less related expenses — \$267,110 (1967 - \$256,776)	3,461,936	3,331,193
Net profit on disposal of securities, less write-down — nil (1967 - \$52,370)	112,189	185,828
	<u>\$11,174,410</u>	<u>\$10,103,082</u>
Amounts paid to or set aside for policyholders and beneficiaries: Death and disability claims Matured endowments Annuity benefits Surrender values Increase in reserves for insurance and annuity contracts Increase (decrease) in pro- vision for experience rating refunds	2,418,812 654,039 214,327 1,879,084 1,767,061 (4,609)	2,708,244 868,828 211,158 1,701,442 801,919 93,658
Interest credited to funds on deposit	149,592	139,016
Operating expenses	7,078,306 2,657,566 9,735,872 1,438,538 400,000 1,038,538	6,524,265 2,468,832 8,993,097 1,109,985 — 1,109,985
Excess of revenue for the year Transfer to contingency reserve	720,191	707,329
Dividends to policyholders Increase in unassigned surplus	318,347	402,656
	<u>\$ 1,038,538</u>	<u>\$ 1,109,985</u>

balance sheet

as at December 31, 1968

ASSETS

Bonds and debentures, at
 amortized cost or less (note)

Common and preferred stocks,
 at cost or less (note)

First mortgages and agreements
 for sale on real estate

Loans on policies, secured by
 cash values

Real Estate

Purchased for income, at cost,
 less amounts written off -
 \$49,989 (1967 - \$38,093)

Cash

Premiums in course of collection

Investment income due and
 accrued

Other assets

NOTE

Valuation of bonds and debentures
 and preferred and common
 stocks —

Value stated in the balance
 sheet

Estimated market value

Maximum value at which these
 securities may be carried as
 prescribed by the insurance
 laws of Canada

AUDITORS' REPORT TO THE

We have examined the balance
 sheet of Canada as at December 31,
 then ended. Our examination included
 bonds and stocks by certificates of
 accounting procedures and such other
 evidence as we considered necessary.

The reserves and other liabilities
 are stated at amounts certified.

1968	1967	LIABILITIES	1968	1967
\$23,060,221	\$21,663,168	Reserves for insurance and annuity contracts	\$44,938,680	\$43,171,619
2,572,935	1,978,956	Policyholders' funds on deposit	3,018,585	2,861,827
29,730,103	29,194,668	Policy claims in course of settlement and provisions for unreported claims of \$311,000 (1967 - \$305,000)	698,008	1,040,491
3,062,245	2,914,524	Mortgagors' tax prepayments	648,359	605,167
		Premium and other taxes accrued	71,262	51,534
		Other liabilities and accruals	164,710	242,804
		Provision for dividends to policyholders	1,677,095	1,448,621
1,155,464	1,167,360	Provision for group experience refunds	89,049	93,658
62,462	179,849	Staff and agents' pension and insurance funds	1,097,604	1,057,070
190,549	202,003		\$52,403,352	\$50,572,791
585,585	564,566	CAPITAL - SURPLUS FUNDS		
10,180	15,742	Capital stock		
		8,406 shares of \$100 each of which 24 shares are fully paid and 8,382 shares are \$25 paid	211,950	211,950
		Investment reserve	1,000,000	1,000,000
		Contingency reserve	400,000	—
		Shareholders' surplus	95,000	95,000
		Unassigned surplus	6,319,442	6,001,095
\$60,429,744	\$57,880,836		8,026,392	7,308,045
25,633,156	23,642,124		\$60,429,744	\$57,880,836
23,620,515	21,505,623			
25,134,952	23,339,097			
		SIGNED ON BEHALF OF THE BOARD		
		J. S. Land - Director W. R. Livingston - Director		

CHOLDERS AND SHAREHOLDERS

et of The Sovereign Life Assurance Company and the statement of revenue for the year 1968. Verification of the cash and investments in the depositories, a general review of the accounting records and other supporting circumstances under the various assurance and annuity by the company's actuary.

In our opinion, based upon our examination and upon the certificate of the company's actuary, these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations for the year then ended, in accordance with accounting practices appropriate to the insurance laws of Canada applied on a basis consistent with that of the preceding year.

January 27, 1969

McDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

head office

TORONTO

– 1320 Yonge Street, Toronto, 7,
Canada

branch offices

HALIFAX	– Bayers Rd. Shopping Centre
NEWFOUNDLAND	– Anderson Avenue, St. John's
MONTREAL	– 1290, rue St-Denis – 1945, boul Graham
COWANSVILLE	– 125, rue Church
DRUMMONDVILLE	– 100, place Girouard
QUEBEC	– 235, boul Wilfrid-Hamel
THETFORD MINES	– 466, rue O'Meara
OTTAWA	– 1762 Carling Avenue
BELLEVILLE	– 218A Front Street
TORONTO	– 1320 Yonge Street – 1141 Bay Street
HAMILTON	– 115 Main Street East
ST. CATHARINES	– 61 James Street
KITCHENER-WATERLOO	– Waterloo Square
LONDON	– 583 Willowdale Avenue
LAKEHEAD	– 137 N. Syndicate Avenue, Fort William
WINNIPEG	– 287 Broadway Avenue
REGINA	– 1874 Scarth Street
SASKATOON	– 230, 22nd Street East
CALGARY	– 1300 8th Street S.W. – Chinook Shopping Centre
EDMONTON	– 10830 Jasper Avenue
VANCOUVER	– 777 Hornby Street

Sovereign is a member of the IAC group of companies which provides throughout Canada a wide range of financial and insurance services including wholesale and retail sales financing, leasing, capital loans to business, consumer loans and casualty insurance.